Abstract

Acquisition is a diversification strategy companies use to beat the intense industry competition and to salvage their weak competencies in order to achieve growth and long-term sustainability. In bid to achieve the above objective however, they end up focusing on how their companies will establish a fit with the target firm without harnessing the interdependence between their firm and acquired company’s customer relationships. As a consequence, this study focuses on analysing how the acquirer can obtain access to and retain the customer’s relations of the acquired company as its main objective. This focus was approached with the following two sub objectives:

a) Describing the customer relations development and characteristics

b) Analysing key factors of customer retention in acquisitions

The empirical data was obtained through combined video and telephone interviews with key persons from the acquirer and acquired firms, and key customers from the acquired company. The forces discussed as customer retention factors are based on empirical findings, and on literature that, in the analysis, proved to corroborate these findings. As a result, the modified ATC model of customer retention in acquisitions emerged. It is argued that a deep understanding of customer dynamics and the inherent challenges of acquisitions is required especially from the acquirer in order to obtain access to and retain the customer’s relations of the acquired company. For this to materialise, there must be a symbiotic relationship among the customer retention factors. Also, customer relationships must be understood as a complex phenomenon which evolves in a life cycle mode. All in all, both the organisational and relationship customer retention factors must operate on equal pedestal for successful customer retention as a trigger for long-term acquisition outcome.

Key words

Acquisition, competence, culture, customer, interdependence and power, relationship, reputation, retention, switching cost, trust and commitment, and networks